

OKANOGAN COUNTY, WASHINGTON
Special Audit
November 1, 1992 Through April 16, 1993

Schedule Of Findings

1. Public Funds Were Misappropriated And Accounting Records Were Falsified And Destroyed

Our audit of the financial records of Okanogan County Counseling Services revealed that at least \$2,275 in public funds was misappropriated from the protective payee account and the emergency fund by Mr. Thomas Murphy, the department's financial manager, during the period November 1, 1992, through April 16, 1993. Accounting records were falsified and/or destroyed in an attempt to conceal a portion of this loss. There were no federal funds involved in this case. The schedule below summarizes these losses:

<u>Description of Loss</u>	<u>Amount</u>
Unauthorized Checks Issued to Cash or to Another Department	\$1,825
Unauthorized Checks Issued to Establish a Petty Cash Fund	<u>450</u>
Total Loss Amount	<u>\$2,275</u>

These funds were misappropriated as described below:

- a. Mr. Murphy made unauthorized check disbursements from the protective payee account and the emergency fund which were made payable to "cash" or to another department. There was no documentation on file to support these disbursements which were reportedly made on behalf of a client who was stranded out-of-state.

(1) The check register for a November 9, 1992, disbursement of \$429 from the protective payee account indicates that the check was voided. However, Mr. Murphy stated that this check was cashed and the proceeds wired to the client.

(2) The check register for a November 9, 1992, disbursement of \$346 from the emergency fund cannot be found and apparently has been destroyed. While Mr. Murphy does not remember this transaction, there is a memorandum on the check indicating that this transaction was made for the client.

(3) The check register for a December 4, 1992, disbursement of \$678 from the protective payee account indicates that this check was issued to the county's Alcoholism Program Center. However, that office did not receive these funds. Mr. Murphy stated that this check was cashed and the proceeds wired to the

client.

(4) The check register and the check for a December 18, 1992, disbursement of \$372 from the protective payee account indicates that this transaction was made for the client. Mr. Murphy stated that this check was cashed and the proceeds wired to the client.

- b. Mr. Murphy made unauthorized check disbursements from the protective payee account and the emergency fund which were reportedly made for the purpose of establishing a petty cash fund. This fund was not authorized by the department or the county, and there have been no documented disbursements for such a fund. However, \$450 of these funds could not be accounted for by Mr. Murphy.

These unauthorized transactions caused the county to incur expenses without benefit or public purpose.

Mr. Thomas Murphy was the department's financial manager during the period of this loss. He was responsible for accounting for the protective payee account and the emergency fund and ensuring that all expenses were allowable and properly authorized. The department manager did not closely monitor his work until the emergency fund was overdrawn in December 1992. Mr. Murphy was told to reconcile both the protective payee account and the emergency fund, as well as to prepare the billings to replenish the emergency fund. This was not done. Mr. Murphy did not realize the importance of this request and felt that other duties were more important. On April 16, 1993, Mr. Murphy's employment with the county was suspended.

Revised Code of Washington (RCW) 42.20.060 states:

Every public officer, or person holding or discharging the duties of any public office or place of trust under the state or in any county, town or city, a part of whose duty it is to audit, allow or pay, or take part in auditing, allowing or paying, claims or demands upon the state or such county, town or city, who shall knowingly audit, allow or pay, or, directly or indirectly, consent to or in any way connive at the auditing, allowance or payment of any claim or demand against the state or such county, town or city, which is false or fraudulent or contains any charge, item or claim which is false or fraudulent, shall be guilty of a gross misdemeanor.

RCW 40.16.020 states:

Every officer who shall mutilate, destroy, conceal, erase, obliterate or falsify any record or paper appertaining to his office, or who shall fraudulently appropriate to his own use or to the use of another person, or secrete with intent to appropriate to such use, any money, evidence of debt or other property intrusted to him by virtue of his office, shall be punished by imprisonment in the state penitentiary for not more than ten years, or by a fine of not more than five thousand dollars, or by both.

RCW 9A.56.030 states:

- (1) A person is guilty of theft in the first degree if he commits theft of:
 - (a) Property or services which exceed(s) one thousand five hundred dollars in value; or

(b) Property of any value taken from the person of another.

(2) Theft in the first degree is a class B felony.

RCW 9A.20.021 states in part that:

(1) Felony. No person convicted of a classified felony shall be punished by confinement or fine exceeding the following . . .

(b) For a class B felony, by confinement in a state correctional institution for a term of ten years, or by a fine in an amount fixed by the court of twenty thousand dollars, or by both such confinement and fine . . .

(2) Gross misdemeanor. Every person convicted of a gross misdemeanor defined in Title 9A RCW shall be punished by imprisonment in the county jail for a maximum term fixed by the court of not more than one year, or by a fine in an amount fixed by the court of not more than five thousand dollars, or by both such confinement and fine . . .

The following internal control weaknesses allowed these misappropriations to occur and not be detected in a timely manner:

- a. There was an inadequate segregation of duties. All the functions associated with the protective payee account and the emergency fund were the sole responsibility of the department's financial manager. There was no periodic management review of the work performed by the department's financial manager which would accomplish the same objective as a segregation of duties between two or more employees.
- b. No one independent of the custodian periodically performed or reviewed the monthly bank account reconciliations for the protective payee account or the emergency fund.

We recommend that Okanogan County seek recovery of the misappropriated \$2,275 and related audit/investigation costs of \$2,417 from their insurance bonding company. We further recommend that the Washington State Office of the Attorney General and Okanogan County Prosecuting Attorney review this matter and take whatever action is deemed necessary under the circumstances.

Bond coverage for county employees is as follows:

Reliance United Pacific Insurance Company
Public Employees Blanket Dishonesty Bond Policy
Policy No. V 2158409
\$50,000 (With \$500 Deductible Provision)
January 1, 1992 - January 1, 1995

We also recommend that Okanogan County:

- a. Review overall accounting controls in Okanogan County Counseling Services, correct the weaknesses outlined above, and implement an effective system of internal control designed to ensure the protection of county assets.
- b. Notify the insurance bonding company of this loss of funds.